STATE OF HAWAII DEPARTMENT OF LAND AND NATURAL RESOURCES Land Division Honolulu, Hawaii 96813

January 11, 2008

Chairperson of the Board of Land and Natural Resources State of Hawaii Honolulu, Hawaii

Ref. No.: GLS-5143

HAWAII

Consent to Mortgage, General Lease No. S-5143, Levi H. Kaupu, Lessee, Milolii-Hoopuloa, South Kona, Hawaii, Tax Map Key: 3rd/8-9-14: 29

APPLICANT AND REQUEST:

Levi H. Kaupu, requesting consent to mortgage from Wells Fargo Home Mortgage of Hawaii, LLC., Mortgagee, in an amount not to exceed \$65,000.

LEGAL REFERENCE:

Section 171-22, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Hoopuloa-Milolii Houselots situated at Hoopuloa-Milolii, South Kona, Hawaii, identified by Tax Map Key: 3rd/8-9-14: 29, as shown on the attached map labeled Exhibit A.

AREA:

.2296 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Residential purposes.

TERM OF LEASE:

65-years, commencing on December 31, 1986 and expiring on December 30, 2051. First scheduled rental reopening will be on December 31, 2011.

ANNUAL RENTAL:

\$132.00.

USE OF LOAN PROCEEDS:

\$65,000

payoff of existing mortgage with First Hawaiian Bank.

REMARKS:

Pursuant to the authority granted by the Legislature of the State of Hawaii in Act 62 of the Session Laws of Hawaii 1982, as amended by Act 83, Session Laws of Hawaii 1984, and all other laws to the contrary, notwithstanding, including Chapter 171, Hawaii Revised Statutes. Authorizing the Department of Land and Natural Resources to negotiate and enter into long-term leases to persons residing in Milolii who were dispossessed or displaced as a result of the 1926 volcanic eruption of Mauna Loa on the Island of Hawaii.

At its meeting of October 24, 1986, Item F-2, the Board approved the awarding of leases for residential purposes at Milolii-Hoopuloa Lots, Phase II, Milolii-Hoopuloa, South Kona, Hawaii. A drawing of Lots was conducted on September 27, 1986, and Levi Haina Kaupu was awarded a 65-year residential lease over Lot 16, identified as Tax Map Key: 3rd/8-9-14:29.

On November 2007, received an application and commitment letter from Wells Fargo Home Mortgage of Hawaii for considering a consent to mortgage, financing \$65,000. Proceeds of the loan is to refinance an existing mortgage with First Hawaiian Bank.

Staff reviewed the file and can report that for the past two (2) years, annual rent has been current. There is no requirements for performance bond or fire insurance. A Notice of Default was sent on January 26, 2007 for liability insurance. Our records indicate that the liability insurance is now current with an expiration of December 14, 2008. The Lessee has never been cited for any other illegal or unlawful activity on the State property.

Levi H. Kaupu, as Assignee, has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The first rental reopening is scheduled for 12/31/2011. There is no outstanding rental reopening issues.

RECOMMENDATION:

That the Chairperson consent to the mortgage between Levi H. Kaupu, Mortgagor, and Wells Fargo Home Mortgage of Hawaii, Mortgagee, subject to the following:

- The loan proceeds shall be used for the purposes as stated in "Use of Loan 1. Proceeds" above. The Lessee shall maintain records of loan expenditures, which may be inspected by the Department;
- 2. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
- 3. Review and approval by the Department of the Attorney General; and
- Such other terms and conditions as may be prescribed by the Chairperson to best 4. serve the interests of the State.

Respectfully Submitted,

APPROVED/DISAPPROVED:

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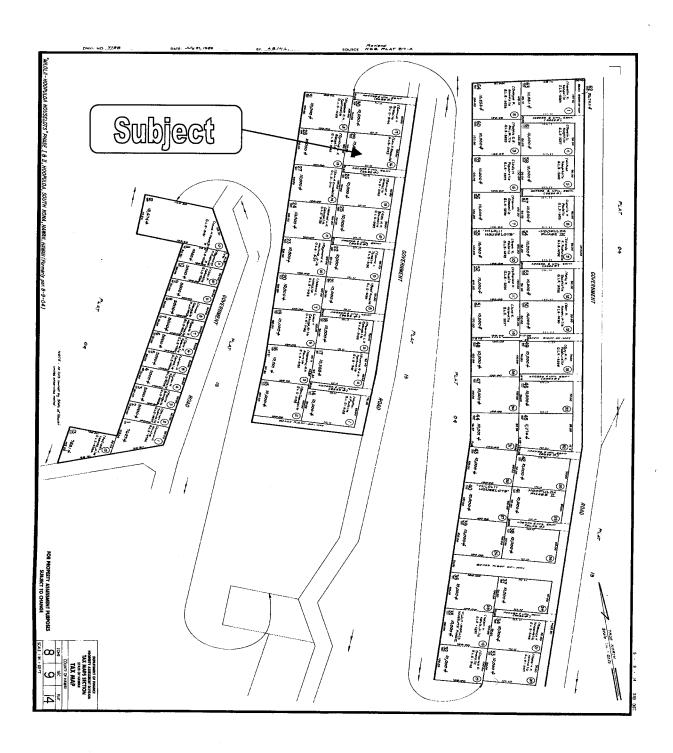


EXHIBIT A